

**CITY OF SAN ANTONIO
INTERDEPARTMENTAL MEMORANDUM
NEIGHBORHOOD ACTION DEPARTMENT**

TO: Mayor and City Council

THRU: Terry M. Brechtel, City Manager

FROM: David D. Garza, Director, Neighborhood Action Department

COPIES: Jelynn LeBlanc Burley; Milo Nitschke; Lou Lendman; Andrew Martin; file

SUBJECT: **B SESSION DISCUSSION OF PROPOSED TAX INCREMENT
FINANCING PROGRAM INCLUDING REVISIONS TO THE TIF
GUIDELINES**

DATE: October 24, 2002

SUMMARY

Staff is seeking to implement revisions to the existing Tax Increment Financing (TIF) Program. The goals of the revisions include:

- Establish one central TIF Unit to administer all TIF projects (Residential and Commercial);
- Provide for more effective administration and fiscal management of TIF program;
- Increase number of TIF applications processed annually;
- Improve quality of residential and commercial developments by holding TIF projects to higher development standards; and
- Refocus development of TIF Projects in targeted areas established by City Council.

Staff is also seeking to implement a TIF staffing plan that would increase the number of TIF staff by adding 7 new positions in FY03. These positions would be in addition to the 1.5 TIF staff for a total personnel complement of 8.5 FTEs.

Staff is also recommending an implementation plan which includes:

- Continue acceptance of TIF applications with a prioritization plan on processing of new TIF applications from October 1 – December 31, 2002;
- Assess the proposed fees for any applications presented for Resolution of Intent after October 1, 2002;
- Create and hold education workshops for internal and external customers; and
- Staffing of specialized TIF unit to support proposed process revision.

BACKGROUND INFORMATION

In 1998, City Council adopted guidelines and established the TIF program in accordance with a Community Revitalization Action Group (CRAG) recommendation. The Tax Increment Financing Program is an incentive tool to redevelopment, governed by the TIF Act (Chapter 311 of the Texas Tax Code), that local governments can use to publicly finance needed residential and commercial improvements and enhance infrastructure within a defined area, called a Tax Increment Reinvestment Zone (TIRZ). The TIF Act specifies that areas to be designated as a TIRZ must be economically distressed, unproductive, underdeveloped, or blighted, and impair the City's growth because of those factors. Cities may not designate an area as a TIRZ, solely for the purpose of encouraging future development in that area.

CRAG identified, and City adopted in the TIF Guidelines, target areas for TIRZs as those primarily inside Loop 410 and south of Highway 90. Each taxing unit that levies taxes against the property contributes future tax revenues to a TIF Fund which is used to repay developers for the cost of infrastructure improvements. Original participating taxing entities included the City, Bexar County, Alamo Community College District, University Health System, and local school districts. Statutory changes penalize local school districts from further participation in a TIF. Current participating taxing entities include the City, Bexar County, and the Alamo Community College District. TIF Guideline Revisions adopted by City Council in September 1998 (Ordinance 92552) and amended in October 2000 (Ordinance 92710) expired on September 30, 2002.

POLICY ANALYSIS

The proposed revisions to the TIF Program include amendments to the TIF guidelines, a new proposed TIF process, as well as a proposed staffing plan. City staff sent thirty-five invitations to current TIF developers as well as a random sampling of developers provided by the Greater San Antonio Builder's Association and held two meetings to discuss the proposed revisions. This dialogue provided a good opportunity to receive feedback for improving the program. Furthermore, the following revisions are proposed in an effort to pursue higher standards for projects assisted through city programs.

The major revisions to the Guidelines include:

1. All future TIF developments should adhere to the Universal Design Policy adopted by the City Council in April 2002.
2. No TIF projects will be accepted where all or part of the proposed project boundaries fall over the Edwards Aquifer Recharge Zone.
3. Mixed-use requirements whereby if a TIF projects exceed 20 acres, then at least twelve percent (12%) of the gross land area must be utilized for retail, service, civic, office, or parks uses. These guidelines exist for Traditional Neighborhood Developments as described in the Uniform Development Code and the Master Plan.
4. Construction and operating costs of new facilities may be funded through a pledge from a monetary contribution by the developer of a TIF project. These costs as well as the pro-rata share and timing of payments for the additional public services would be negotiated in the development agreement.
5. Uses permitted within the C-2 zoning district located within a TIF shall have a maximum front setback of 35 feet unless the proposed commercial development fronts on an expressway

identified in the City's Major Thoroughfare Plan. Building shall also contain ground level windows.

6. Street connectivity ratio shall not be less than 1.6. The UDC set a minimum standard of 1.2 for street connectivity. A perfect street grid has a connectivity ratio of 2.0. Given typical lot sizes and the number of houses constructed in a TIF, the developments need greater connectivity to ease traffic burdens. A topographical variance would be considered if, in order to reach the required street connectivity ratio, the street layout would require a street to exceed a grade of 12 percent.
7. Blocks shall have an average length not exceeding 600 feet, with no block exceeding 800 feet. The City's Master Plan & UDC supports policies to encourage the submittal of Traditional Neighborhood Developments (TNDs).
8. City may elect to terminate a TIRZ if 50% of the housing and/or commercial construction projected for years 1, 2, & 3, from date TIRZ is created, is incomplete. Infrastructure construction does not count toward construction schedule, only housing and commercial units. The zone may also be terminated if any default of the terms contained in the Development Agreement that is not cured within the 90-day time frame contained in such agreement.
9. Option for developer to request preliminary plan review process meeting with appropriate City Staff prior to submitting a TIF application. This meeting will provide an opportunity to discuss requirements in the TIF application and process. If requested, the meeting will cost developer \$75 per hour and will be scheduled through the Neighborhood Action Department TIF Unit.
10. An amendment to the non-reimbursable, non-refundable application fee for all applications is included in the revisions. The proposed \$3,000 fee is to support administration costs of initial review for completeness, internal review processes (HNAT and City Council Urban Affairs), and preparation of the City Council's consideration of a Resolution of Intent.
11. A new \$31,000 processing fee is proposed with the changes in the TIF Program. This fee is to be paid by developer 10 days after the Council has approved a Resolution of Intent. This fee is reimbursable with TIF funds and would be used to support processing requirements, scrub team coordination, participating taxing entity presentations, designation of zone, zone plans and financial and legal document preparations and negotiations.
12. The administrative fees will be used to support the ongoing annual monitoring activities required for each TIRZ, which include staffing TIRZ Board meetings. The proposed administrative fee policy is as follows:
 - **First year revenues received only:** 10% of total projected revenues for each newly created TIRZ or \$75,000, whichever is the lesser of the two. These revenues will be divided among all participating taxing entities.
 - **2nd year revenues received thru end of TIRZ:** 5% of annual projected revenues or \$50,000, whichever is the lesser of the two.
13. The guidelines would not provide for any waiver of processing fees due to the fact that all TIF projects require same workload.

The estimated costs associated with the implementation and approval of a TIF application total \$35,021. The estimated cost associated with each step is as follows:

- Step 1: \$3,153 (Application Submittal and Resolution of Intent)
- Step 2: \$7,813 (Scrub Team Review and Presentations to the other taxing entities)
- Step 3: \$11,807 (Designation of Zone, Creation of Board, Establishing of TIF Fund)
- Step 4: \$10,542 (Adoption of Final Project and Financing Plan)
- Step 5: \$1,706 (Execution of legal agreements)

The TIF Staffing plan proposes an increase in TIF staffing for a total complement of 8.5 FTEs in FY 03. The benefits of the new TIF staffing unit include:

- Improved management and monitoring of existing TIRZ
- Increased number of new processed applications to a minimum of 8 per year
- Improved processing time of applications (4 months average – if there are no development issues)
- Refocused development in targeted areas using City incentive tools
- Increased quality of developments by requiring higher development standards
- Improved responsiveness and customer service

FISCAL IMPACT

Staff is proposing to increase and implement new revenues to support the proposed TIF staffing unit which will provide for a more effective TIF program. The proposed revenues include \$3,000 per application submitted; new \$31,000 processing fee per project upon approval of the Resolution of Intent by City Council. The proposed revenues also include projected administrative fees to be received during FY 03. The following summarizes the proposed FY 03 and projected FY 04 revenues and expenditures:

	FY 03	FY 04
Beginning Balance	\$0	\$31,682
Projected Revenue ¹	\$312,000	\$332,000
Adopted Budget Improvements	\$100,000	\$100,000
Proposed One-time Budget Transfer for Existing Position	\$52,031	\$0
Total	\$464,031	\$463,682 ³
Proposed Personnel Complement (8 FTEs) ²	\$432,350	\$452,927
Gross Ending Balance	\$31,682	\$10,755

¹ Assumes 8 applications processed in FY 03 and FY 04

² Includes One-time costs and 10-months funding for 7 new FTEs, plus costs associated with 1 existing position

³ Assumes full year funding for all 8.5 FTEs administering TIF Program (no cost associated with .5 FTE in Finance)


The proposed staffing complement includes the addition of 7 new FTE's in FY 03 for a first year cost of \$380,319 (10-months salary of \$340,658 plus one-time expenses of \$39,661). The total budget for the TIF Unit for FY 03 is \$432,350, this includes the transfer of the existing position and one-time funding into the proposed TIF Fund in the amount of \$52,031. For FY 04, all costs associated with the 8 FTEs will be funded through the proposed TIF Revenues. With this addition, one existing Special Projects Coordinator would be dedicated to HARP and Affordable Showcase of Homes Programs.

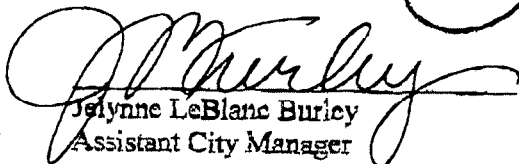
Current TIF projects which have been approved by the City Council will maintain existing administrative fees as negotiated and indicated in the development and interlocal agreements. TIF

projects yet to have a Resolution of Intent approved by the City Council will be subject to proposed fees and guidelines, including new application, processing and administrative fees.

COORDINATION

This item has been coordinated with Finance, Public Works, Parks and Recreation, Development Services, Fire, Environmental Services, Planning, the Office of Management and Budget, and the City Attorney's Office. The Housing & Neighborhood Action Team was briefed on the project September 18, 2002. Management Team was briefed on September 24, 2002 and October 8, 2002. This item was presented to the Urban Affairs Committee October 15, 2002 and received favorable review.


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